

# SENATE BILL 423

C7

11r0691  
CF HB 952

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By: ~~Senators Peters, Colburn, Garagiola, Glassman, Kasemeyer, Klausmeier,~~  
Klausmeier, Colburn, DeGrange, Garagiola, Glassman, Kasemeyer,  
Mathias, Middleton, Miller, Pugh, Robey, and Zirkin

Introduced and read first time: February 4, 2011

Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 5, 2011

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **State Lottery – Licenses – Veterans’ Organizations**

3 FOR the purpose of authorizing the Director of the State Lottery Agency to issue to  
4 certain veterans’ organizations a license for not more than a certain number of  
5 ~~lottery ticket terminals~~ instant ticket lottery machines for the sale of ~~State~~  
6 ~~lottery~~ certain lottery machine tickets to veterans’ organizations under certain  
7 circumstances; exempting certain counties from certain provisions; requiring a  
8 veterans’ organization to locate and operate certain instant ticket lottery  
9 machines in certain places; authorizing the Director to adopt certain  
10 regulations; requiring that a certain amount of revenues from lottery ticket  
11 sales by a veterans’ organization is to be provided for charitable purposes;  
12 requiring that, after a certain date, a certain amount of revenues from lottery  
13 ticket sales by a veterans’ organization is to be distributed to the Maryland  
14 Veterans Trust Fund; providing that certain revenues from lottery certain  
15 lottery machine ticket sales by a veterans’ organization are to be credited to the  
16 State Lottery Fund after certain distributions deductions are made; requiring  
17 the Comptroller to distribute a certain percentage of proceeds deposited in the  
18 State Lottery Fund from certain lottery machine ticket sales by veterans’  
19 organizations to the Maryland Veterans Trust Fund; requiring a veterans’  
20 organization issued a license under this Act to purchase or lease ~~lottery ticket~~  
21 ~~terminals~~ instant ticket lottery machines; prohibiting a veterans’ organization  
22 from using certain lottery receipts to pay certain costs for ~~lottery ticket~~  
23 ~~terminals~~ instant ticket lottery machines; defining a certain term; directing the

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 State Lottery Agency to implement the provisions of this Act in accordance with  
 2 a certain court decision; and generally relating to the State lottery and ~~State~~  
 3 ~~lottery~~ certain lottery machine ticket sales by veterans' organizations.

4 ~~BY repealing and reenacting, without amendments,~~  
 5 ~~Article – Criminal Law~~  
 6 ~~Section 12–101(f)(3)~~  
 7 ~~Annotated Code of Maryland~~  
 8 ~~(2002 Volume and 2010 Supplement)~~

9 BY repealing and reenacting, with amendments,  
 10 Article – State Government  
 11 Section 9–112, ~~9–119(a) and (b)~~ 9–120(b), and 9–913  
 12 Annotated Code of Maryland  
 13 (2009 Replacement Volume and 2010 Supplement)

14 BY repealing and reenacting, without amendments,  
 15 Article – State Government  
 16 Section 9–120(a)  
 17 Annotated Code of Maryland  
 18 (2009 Replacement Volume and 2010 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 20 MARYLAND, That the Laws of Maryland read as follows:

21 ~~Article – Criminal Law~~

22 ~~12–101~~

23 ~~(f)~~ “Organization” includes:

24 ~~(3)~~ ~~a veterans' organization or club;~~

25 Article – State Government

26 9–112.

27 (a) IN THIS SECTION, “VETERANS’ ORGANIZATION” MEANS AN  
 28 ORGANIZATION THAT IS TAX EXEMPT AND ORGANIZED AS A VETERANS’  
 29 ORGANIZATION UNDER § 501(C)(19) OR § 501(C)(4) OF THE INTERNAL  
 30 REVENUE CODE.

31 (B) [In] EXCEPT AS PROVIDED IN SUBSECTION ~~(c)~~ (D) OF THIS  
 32 SECTION, IN accordance with the regulations of the Agency and this subtitle, the  
 33 Director shall issue licenses to the persons and governmental units that will best serve  
 34 the public convenience and promote the sale of State lottery tickets or shares.

1           ~~(b)~~ **(C)**       Before issuing a license to an applicant, the Director shall consider  
2 such factors as:

3                   (1)     the financial responsibility and security of the applicant and the  
4 business or activity of the applicant;

5                   (2)     the accessibility of the place of business or activity to the public;

6                   (3)     the sufficiency of existing licenses to serve the public convenience;  
7 and

8                   (4)     the volume of expected sales.

9           ~~(c)~~ **(D)**       **(1)     THIS SUBSECTION DOES NOT APPLY IN:**

10                   **(I)     CAROLINE COUNTY;**

11                   **(II)    CECIL COUNTY;**

12                   **(III)   DORCHESTER COUNTY;**

13                   **(IV)   KENT COUNTY;**

14                   **(V)    QUEEN ANNE'S COUNTY;**

15                   **(VI)   SOMERSET COUNTY;**

16                   **(VII)  TALBOT COUNTY;**

17                   **(VIII) WICOMICO COUNTY; AND**

18                   **(IX)   WORCESTER COUNTY.**

19                   **(2)    (I)     SUBJECT TO ~~THIS SUBSECTION~~ SUBPARAGRAPH (II) OF**  
20 **THIS PARAGRAPH, THE DIRECTOR MAY ISSUE A LICENSE UNDER THIS SUBTITLE**  
21 **FOR NOT MORE THAN ~~THREE LOTTERY TICKET TERMINALS~~ FIVE INSTANT**  
22 **TICKET LOTTERY MACHINES TO AN APPLICANT THAT IS A VETERANS'**  
23 **ORGANIZATION AS DEFINED IN ~~§ 12-101(F)(3) OF THE CRIMINAL LAW ARTICLE.~~**

24                   **(II)    A VETERANS' ORGANIZATION THAT IS ISSUED A LICENSE**  
25 **UNDER THIS SUBSECTION SHALL LOCATE AND OPERATE ITS INSTANT TICKET**  
26 **LOTTERY MACHINES AT ITS PRINCIPAL MEETING HALL IN THE COUNTY IN**  
27 **WHICH THE VETERANS' ORGANIZATION IS LOCATED.**

1           ~~(2) (i) AS A CONDITION OF CONTINUED LICENSURE, AFTER~~  
 2 ~~DEDUCTION OF ANY COMMISSION AND VALIDATION PRIZE PAYOUT AS PROVIDED~~  
 3 ~~UNDER § 9-117 OF THIS SUBTITLE, A VETERANS' ORGANIZATION ISSUED A~~  
 4 ~~LICENSE UNDER THIS SUBSECTION SHALL USE ONE HALF OF THE RECEIPTS~~  
 5 ~~GENERATED FROM THE SALE OF LOTTERY TICKETS FOR CHARITABLE~~  
 6 ~~PURPOSES.~~

7           ~~(H) AFTER DEDUCTION OF ANY COMMISSION AND~~  
 8 ~~VALIDATION PRIZE PAYOUT AND THE DISTRIBUTION UNDER SUBPARAGRAPH (I)~~  
 9 ~~OF THIS PARAGRAPH IS MADE, BEGINNING ON JULY 1, 2012, A VETERANS'~~  
 10 ~~ORGANIZATION ISSUED A LICENSE UNDER THIS SUBSECTION SHALL REMIT 10%~~  
 11 ~~OF THE REMAINING RECEIPTS FROM THE SALE OF LOTTERY TICKETS TO THE~~  
 12 ~~COMPTROLLER FOR DISTRIBUTION TO THE MARYLAND VETERANS TRUST~~  
 13 ~~FUND ESTABLISHED UNDER § 9-913 OF THIS TITLE.~~

14           ~~(H) (3)~~ AFTER DEDUCTION OF ANY COMMISSION AND  
 15 VALIDATION PRIZE PAYOUT ~~AND THE DISTRIBUTIONS UNDER SUBPARAGRAPHS~~  
 16 ~~(I) AND (H) OF THIS PARAGRAPH ARE MADE AS PROVIDED UNDER § 9-117 OF~~  
 17 ~~THIS SUBTITLE, A VETERANS' ORGANIZATION ISSUED A LICENSE UNDER THIS~~  
 18 ~~SUBSECTION SHALL CREDIT THE REMAINING RECEIPTS FROM THE SALE OF~~  
 19 ~~LOTTERY TICKETS TICKETS FROM INSTANT TICKET LOTTERY MACHINES TO THE~~  
 20 ~~STATE LOTTERY FUND ESTABLISHED UNDER § 9-118 OF THIS SUBTITLE TO BE~~  
 21 ~~DISTRIBUTED AS PROVIDED UNDER § 9-120(B) OF THIS SUBTITLE.~~

22           ~~(3) (4)~~ (i) SUBJECT TO SUBPARAGRAPH (ii) OF THIS  
 23 PARAGRAPH, A VETERANS' ORGANIZATION ISSUED A LICENSE UNDER THIS  
 24 SUBSECTION SHALL PURCHASE OR LEASE FROM THE AGENCY THE ~~LOTTERY~~  
 25 ~~TICKET TERMINALS~~ INSTANT TICKET LOTTERY MACHINES TO BE USED BY THE  
 26 VETERANS' ORGANIZATION.

27           (ii) AN ORGANIZATION MAY NOT USE RECEIPTS FROM THE  
 28 SALE OF ~~LOTTERY TICKETS~~ TICKETS FROM INSTANT TICKET LOTTERY  
 29 MACHINES THAT WOULD OTHERWISE BE ~~USED FOR CHARITABLE PURPOSES OR~~  
 30 ~~CREDITED TO THE MARYLAND VETERANS TRUST FUND OR~~ THE STATE  
 31 LOTTERY FUND FOR THE COSTS OF PURCHASING OR LEASING ~~LOTTERY TICKET~~  
 32 ~~TERMINALS~~ INSTANT TICKET LOTTERY MACHINES.

33           (5) THE DIRECTOR MAY ADOPT REGULATIONS TO IMPLEMENT  
 34 THE PROVISIONS OF THIS SUBSECTION THAT INCLUDE RESTRICTING THE  
 35 LOCATION OF INSTANT TICKET LOTTERY MACHINES IN AREAS OF A VETERANS'  
 36 ORGANIZATION'S PUBLIC MEETING HALL THAT IS ACCESSIBLE TO THE PUBLIC.

37           [(c)] ~~(D)~~ (E) The Director may not issue a license to:

1 (1) a person or governmental unit to engage in business primarily as a  
2 licensed agent; or

3 (2) an individual who is under the age of 21 years.

4 [(d)] ~~(E)~~ (F) The Commission may hear and decide an appeal of a denial of a  
5 license.

6 ~~9-110.~~

7 (a) ~~Except for the commission of a licensed agent AND EXCEPT AS~~  
8 ~~PROVIDED IN § 9-112(C)(2) OF THIS SUBTITLE, all of the receipts from the sale of~~  
9 ~~State lottery tickets or shares are due to the Agency:~~

10 (1) ~~on the due date that the Agency sets; or~~

11 (2) ~~at the times and within the intervals prescribed by Agency~~  
12 ~~regulations.~~

13 (b) (1) (i) ~~[The] EXCEPT AS PROVIDED IN § 9-112(C)(2) OF THIS~~  
14 ~~SUBTITLE, THE Director shall require all licensed agents to deposit, with a bank that~~  
15 ~~the licensed agent selects and to the credit of the State Lottery Fund, all of the~~  
16 ~~receipts from the sale of State lottery tickets or shares less any commission and~~  
17 ~~validation prize payout.~~

18 (ii) ~~1. A licensed agent may commingle proceeds from the~~  
19 ~~sale of State lottery tickets or shares with business receipts of the licensed agent.~~

20 ~~2. Proceeds, including cash proceeds of the sale of any~~  
21 ~~lottery products less any commission and validation prize payout, shall be remitted~~  
22 ~~and paid directly or through the Agency's authorized collection representative.~~

23 (iii) ~~Licensed agents and each person who is a guarantor or~~  
24 ~~indemnitor of a licensed agent's financial obligations to the Agency shall be liable for~~  
25 ~~all proceeds from the sale of lottery tickets or shares.~~

26 (iv) ~~The Director may adjust the time, interval, or method of~~  
27 ~~collection for collections of proceeds of any licensed agent.~~

28 (v) ~~1. Nothing in this subsection may be construed to~~  
29 ~~impose obligations or liability on any bank in which proceeds from the sale of State~~  
30 ~~lottery tickets or shares are deposited.~~

31 ~~2. This subparagraph does not affect the rights and~~  
32 ~~obligations of any financial institution that has issued an irrevocable letter of credit or~~  
33 ~~holds any cash security deposit as provided in § 9-114 of this subtitle.~~

~~(2) The Director may require any or all licensed agents to submit to the Director or a designee of the Director a report that:~~

~~(i) is in the form that the Director requires; and~~

~~(ii) gives the information that the Director requires as to the transactions in and receipts from the sale of State lottery tickets or shares.~~

9-120.

(a) The Comptroller shall distribute the State Lottery Fund to pay:

(1) on a pro rata basis for the daily and nondaily State lottery games, the expenses of administering and operating the State lottery, as authorized under this subtitle and the State budget; and

(2) then, except as provided in § 10-113.1 of the Family Law Article and § 11-618 of the Criminal Procedure Article, the holder of each winning ticket or share.

(b) (1) Promptly after the 1st day of each month, the Comptroller shall pay:

(i) into the Maryland Stadium Facilities Fund the money that remains in the State Lottery Fund from the proceeds of the sports lotteries conducted for the benefit of the Maryland Stadium Authority, after the distribution under subsection (a) of this section; [and]

**(II) AFTER JUNE 30, 2012, INTO THE MARYLAND VETERANS TRUST FUND 10% OF THE MONEY THAT REMAINS IN THE STATE LOTTERY FUND FROM THE PROCEEDS OF SALES OF TICKETS FROM INSTANT TICKET LOTTERY MACHINES BY VETERANS' ORGANIZATIONS UNDER § 9-112(D) OF THIS SUBTITLE, AFTER THE DISTRIBUTION UNDER SUBSECTION (A) OF THIS SECTION; AND**

[(ii)] (III) into the General Fund of the State the money that remains in the State Lottery Fund from the proceeds of all other lotteries after the distribution under subsection (a) of this section.

(2) The money paid into the General Fund under this subsection is available in the fiscal year in which the money accumulates in the State Lottery Fund.

9-913.

(a) In this section, "Fund" means the Maryland Veterans Trust Fund.

1 (b) There is a Maryland Veterans Trust Fund in the Department.

2 (c) (1) The Fund is a special, nonlapsing fund that is not subject to  
3 reversion under § 7-302 of the State Finance and Procurement Article.

4 (2) The State Treasurer shall hold the Fund separately, and the  
5 Comptroller shall account for the Fund.

6 (d) (1) The Secretary shall administer the Fund.

7 (2) The Maryland Veterans Commission, the Maryland Veterans'  
8 Home Commission, and program directors shall advise the Secretary on the  
9 administration of the Fund.

10 (e) The Fund consists of:

11 (1) gifts and grants that the Department receives under § 9-912(b) of  
12 this subtitle; AND

13 (2) **CONTRIBUTIONS TO THE FUND FROM THE SALE OF ~~LOTTERY~~**  
14 **~~TICKETS~~ TICKETS FROM INSTANT TICKET LOTTERY MACHINES UNDER ~~§ 9-~~**  
15 **~~112(c)~~ § 9-112(D) OF THIS SUBTITLE.**

16 (f) Money in the Fund may only be used to:

17 (1) make grants and loans under § 9-912(b)(2)(i) of this subtitle;

18 (2) be invested under § 9-912(b)(2)(ii) of this subtitle; and

19 (3) pay the costs of administering the Fund through distribution to an  
20 administrative cost account in the Department.

21 (g) (1) The State Treasurer shall invest the money in the Fund in the  
22 same manner as other State money may be invested.

23 (2) Any investment earnings of the Fund shall be credited to the Fund.

24 (h) Money expended from the Fund is supplemental to and is not intended to  
25 take the place of funding that would otherwise be appropriated to the Department.

26 (i) (1) On or before August 31 of each year, the Secretary shall submit a  
27 report to the General Assembly, in accordance with § 2-1246 of this article, on the  
28 status of the Fund.

29 (2) The report shall include:

30 (i) the gross amount of gifts and grants credited to the Fund;

1 (ii) the costs of administration of the Fund; and

2 (iii) a detailed accounting of the use of the Fund.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the State Lottery Agency  
4 shall ensure that the conduct of the gaming and the operation of the ~~lottery ticket~~  
5 ~~terminals~~ instant ticket lottery machines as established under this Act are consistent  
6 with the holding in the case of Chesapeake Amusements Inc. v. Riddle, 363 Md. 16  
7 (2001).

8 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
9 October 1, 2011.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.